

# *The Borden Company*

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

## ANNUAL REPORT

*For the fiscal year ended December 31, 1932*

*New York*

*March 1933*

BOARDS

MRS  
CORP. FILE

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# THE BORDEN COMPANY

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## DIRECTORS

HOWARD BAYNE  
\*HUGH BLAIR-SMITH  
LEWIS M BORDEN  
L. MANUEL HENDLER  
ALBERT T. JOHNSTON

ROBCLIFF V. JONES  
JOHN LE FEBER  
EDWARD B. LEWIS  
JOHN W. MCCONNELL  
ALBERT G. MILBANK

ARTHUR W. MILBURN  
BEVERLEY R. ROBINSON  
STANLEY M. ROSS  
WALLACE D. STRACK  
ROBERT STRUTHERS

\* Died January 11, 1933.

## OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*  
ARTHUR W. MILBURN, *Chief Executive & Chairman Executive Committee*  
ALBERT T. JOHNSTON, *President*  
WALLACE D. STRACK, *Executive Vice-President*  
PATRICK D. FOX, *Vice-President*  
EDWARD B. LEWIS, *Vice-President*  
RALPH D. WARD, *Vice-President*  
GEORGE M. WAUGH, JR., *Vice-President*  
EVERETT L. NOETZEL, *Treasurer*  
WALTER H. REBMAN, *Secretary*  
GEORGE BITTNER, *Assistant Treasurer*  
ST. JOHN W. DAVIS, *General Controller*  
FREDERICK W. SCHWARZ, *Assistant Treasurer*  
THEODORE D. WAIBEL, *Assistant Secretary*

This list reveals some changes in the official personnel, due to the death during the year of Merritt J. Norton, Vice-President and William P. Marsh, Secretary and Treasurer.

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## EXECUTIVE OFFICES

THE BORDEN COMPANY  
350 Madison Avenue, New York City  
(Subsidiary and Territorial Offices not included)

REGISTERED OFFICE  
15 Exchange Place, Jersey City, N. J.

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*Transfer and Dividend Disbursing Agent*

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK  
11 Broad Street, New York City

*Registrar*, BANKERS TRUST COMPANY, 16 Wall Street, New York City  
*Counsel*, MILBANK, TWEED, HOPE & WEBB, 15 Broad Street, New York City  
*Auditors*, HASKINS & SELLS, 22 East 40th Street, New York City



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## CORPORATE ORGANIZATION AND SCOPE

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The business of the Company falls into four general divisions. In conformity with this there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions. For similar reasons and because of the extent of operations throughout all of Canada, which operations embrace the activities of all four general divisions, Borden's Ltd, a Dominion Corporation, was organized in 1930.

The Borden Company owns 100% of the stock of these major sub-holding companies, and of Borden's Ltd, each of which companies, in turn, owns 100% of the stock of the operating companies coming under its control.

The four major sub-holding companies are as follows:—

**BORDEN'S FOOD PRODUCTS COMPANY, INC.** *Food Products Group*—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; casein products, caramels, mince meat, dried fruit juices, etc.

Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

**BORDEN'S DAIRY PRODUCTS COMPANY, INC.** *Fluid Milk Group*—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.

Business of the above nature is conducted in the States of Arizona, California, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

**BORDEN'S ICE CREAM & MILK COMPANY, INC.** *Ice Cream Group*—manufacture and sale of ice cream and allied products.

Business of the above nature is conducted in the States of California, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, West Virginia, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

**BORDEN'S CHEESE & PRODUCE COMPANY, INC.** *Produce Group*—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale; also manufacture and sale of package, loaf, bulk and fancy cheeses.

Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

## TO THE STOCKHOLDERS OF THE BORDEN COMPANY:

There are presented herewith Financial Statements together with certificate of audit of Messrs. Haskins & Sells, setting forth the Operating Results for 1932 and the condition of the Company at the close of that year.

The decrease in Sales and Net Income is attributable to the uncontrollable general conditions prevailing throughout the year, and the further drastic liquidation of dairy product values, with accompanying market chaos.

Despite these conditions the Balance Sheet at the close of the year reflects strength and preparedness.

### *Sales*

Sales for the year amounted to \$212,348,871.24 compared with \$284,586,876.71 for 1931, a sales value decrease of 25.4 per cent and a sales tonnage decrease of 12 per cent. The adjustment of Canadian and Export Sales to their United States dollar value adversely affects the sales value figure for both years.

### *Net Income and Earnings per Share*

Net Income of \$7,524,488.92 is 3.54 per cent of sales and \$1.71 per share on all of the Capital Stock outstanding December 31, 1932.

This compares with Net Income of \$3.82 per share before provision for profit sharing in 1931, and \$3.66 per share after such provision in that year. The terms of the Profit Sharing Plan are such as to preclude any distribution from 1932 Net Income for profit sharing purposes.

Net Income on Canadian and Export Sales is adjusted to the United States dollar value and the adjustment absorbed as an operating charge.

### *Net Working Capital*

This item at the close of the year stood at \$39,726,942.17 compared with \$43,646,852.24 on December 31, 1931. This decrease of \$3,919,910.07 is more than accounted for by the smaller and lower valued Inventories, which were \$4,381,060.57 less than on December 31, 1931. These were valued at the lower of cost or market conservatively established.

The ratio of Current Assets to Current Liabilities on December 31, 1932 was \$4.72 to \$1.00, which compares with a ratio of \$3.91 to \$1.00 on December 31, 1931.

Cash on hand, domestic and foreign, adjusted to United States dollar value, amounted to \$15,692,826.52 on December 31, 1932, which compares with \$15,027,552.55 on hand December 31, 1931. Cash alone was about one and one-half times the total of all Current Liabilities.



Marketable Securities of high investment rating, a large proportion being United States Government Securities, and including a substantial amount of Canadian Government Securities, taken at their December 31, 1932 United States dollar market value, amounted to \$8,777,071.56 compared with \$10,157,503.00 on December 31, 1931.

The Reserves created in 1931 by transfer from Surplus for the absorption of losses on Marketable Securities and adjustment to their United States dollar value of aggregate Net Current Assets remaining in foreign jurisdictions, were at December 31, 1932 somewhat excessive, when measured by security and exchange values of that date. It was thought best, in view of continuing unsettled conditions, to defer the return to Surplus of any excess provision remaining therein. Current operations have not benefited by use of these Reserves.

While collections were the poorest of recent years, all credit losses have been charged off and adequate Reserves against future losses have been created by charges to operations, thus leaving Receivables in a healthy condition.

### *Property, Plant and Equipment*

The net depreciated and adjusted value of this item on December 31, 1932, is \$98,678,333.01 as compared with \$100,186,701.81 on December 31, 1931, which latter figure comprehends the extensive reserve appropriations and adjustments of that year as fully set forth in the 1931 report to Stockholders.

Depreciation charges to operations during 1932 amounted to \$8,695,625.76.

Large expenditures, previously planned, for improvements and replacements were made and property values thereby increased.

All properties were maintained in excellent physical condition and seemingly wise expenditures in the interest of quality protection, co-ordination and efficiency were not withheld.

Property expenditures of every nature continued to be controlled by a conservative policy of accounting.

With all of the foregoing in mind, the reduction, when compared with the previous year of \$14,058,941.27, in gross value of Property, Plant and Equipment, and of \$12,550,572.47 in Reserves for Depreciation, calls for special comment, which follows:

The two principal causes for the reduction of Gross Values and Reserves during 1932 are:

- (1) The removal from both the Gross Property Values and the Reserves for Depreciation of all that property and equipment which has become 100% depreciated.
- (2) The removal from both Gross Property Values and the Reserves for Depreciation of the respective amounts therein affecting all property disposed of and all values scrapped in the process of revamping during the year.

In all other respects, the charges and credits to Gross Values and Reserves have been of a regular nature.



Book value of Property, Plant and Equipment is a subject receiving much attention in these days. It is not one that lends itself to uniform treatment by all corporations.

With a long established going concern, necessarily employing at all times fixed assets of large amount, there always exists a disparity between the book values thereof and their current replacement values.

A large portion of these assets are long lived. The costs of some reflect the prices of previous low cost periods, which compare more favorably with those of today than some representing peak costs. It is not by any means to be assumed that the total book value of these assets is excessive by the amount of the difference between peak costs and present day costs applied to all property values.

With these facts in mind, this Company has given much thought to adjustment of its property values, and in so doing has endeavored to avoid drastic blanket action of an arbitrary nature which might prove unwise at a future day. Specific treatment, approached with thoroughness and caution, rather than very general treatment, has been our procedure.

Thus far the consideration given has resulted in:

- (1) The Reserves of \$9,750,000.00 created in 1931 for adjustment of book values of Idle, Surplus, Obsolete and Excessively Cost-Valued and previously independently appraised Properties, as set forth in the 1931 Report to Stockholders.
- (2) The elimination in 1932 from property values of 100% depreciated Properties, some of which, nevertheless, continue in operation, the practical effect of which is a downward adjustment of total gross property values, as hereinbefore referred to. As more properties become 100% depreciated or are disposed of, they too will be eliminated from book values.

Further, it is to be remembered that large expenditures for replacements of Property and Equipment at current price levels, resulting in the substitution of present day costs for those of higher priced periods, result in a constant adjustment of total gross values of Properties.

All of the foregoing reacts favorably on depreciation charges without lowering of rates.

The Budget of Capital Expenditures for 1933, as approved by the Board of Directors, while providing fully for all necessary replacements and, as well, certain further expenditures in the interest of co-ordination and efficiency, is a greatly reduced Budget as compared with that of 1932, and well within the usual depreciation charges for the year.

### *Capital Stock*

Of the Authorized Capital Stock of 8,000,000 shares of \$25.00 par value each, and an aggregate par value of \$200,000,000.00, there was outstanding on December 31, 1932, \$109,918,850.00 par value, represented by 4,396,754 shares, as compared with \$109,882,025.00, represented by 4,395,281 shares on December 31, 1931.

The net increase in outstanding Capital Stock for the year, amounting to \$36,825.00 and 1,473 shares, is accounted for as follows:

3,900 shares were issued in payment for small businesses acquired and merged with existing units.

2,427 shares previously acquired for corporate purposes, and proving in excess of requirements, are now returned to Treasury Stock, thus reducing the total Capital Stock actually outstanding.



The capital structure continues without any outstanding securities senior to the Common Stock of The Borden Company.

The stock outstanding December 31, 1932 was held by 36,236 Stockholders, with an average holding of 121 shares, which compares with 32,383 stockholders with an average holding of 136 shares on December 31, 1931.

The number of Stockholders as of December 31st for each of the past six years follows:

|      |           |        |
|------|-----------|--------|
| 1927 | . . . . . | 5,664  |
| 1928 | . . . . . | 9,482  |
| 1929 | . . . . . | 17,167 |
| 1930 | . . . . . | 24,383 |
| 1931 | . . . . . | 32,383 |
| 1932 | . . . . . | 36,236 |

Nineteen Thirty-two presented to Management the problem of almost constantly adjusting the business to rapidly changing price and market conditions of an adverse nature. These conditions called for most careful examination and necessary adjustment of costs and operating and general expenses of every nature if the ill effects were to be minimized. This has been done and is continuing.

Operating efficiency has been improved and further marked progress is expected in 1933.

It has been necessary for both the farmers and the Company to make sacrifices in the interest of preservation of markets and an assured future. The farmers have taken price reductions. The members of our organization from top to bottom have taken salary and wage reductions. The Stockholders have taken dividend reductions. All have sacrificed that all might gain.

By all of this the consumer gains — only the records of decades ago reveal retail prices as low as many now in effect. As to some prices nothing comparable can be found.

Stability is still lacking, although greater steadiness has recently been perceptible.

New economies of very large amount, not effective at any time in 1932, were put into effect with the opening of 1933.

During a year when understanding, co-operation and a spirit of determination were of much more than usual importance, they were forthcoming. For these and the personal sacrifices willingly made, the Organization has the grateful appreciation of the Directors and Officers.

Respectfully submitted,

ARTHUR W. MILBURN

*Chief Executive*

*and*

*Chairman Executive Committee*

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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES  
*Consolidated Balance Sheet, December 31, 1932*

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ASSETS

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Avenue and Hudson Street Office Building  
 Properties (Values are based on cost or on field surveys by  
 Company's engineers, supplemented where necessary by inde-  
 pendent appraisals, with subsequent additions at cost) . . . \$159,188,276.50

LESS:

Reserves for Depreciation . . . . . 60,509,943.49

NET PROPERTY, PLANT AND EQUIPMENT . . . . . \$ 98,678,333.01

CURRENT ASSETS:

|  |                 |               |
|--|-----------------|---------------|
| Cash . . . . .   | \$15,692,826.52 |               |
| Marketable Securities (at Market or Less) . . .  | 8,777,071.56    |               |
| Receivables (Including salary advances to em-<br>ployees of \$94,611.37) — Less Reserve for<br>Doubtful Accounts . . . . . | 13,149,734.15   |               |
| Finished Goods (at the Lower of Cost or<br>Market) . . . . .   | 8,445,426.92    |               |
| Raw Materials and Supplies (at the Lower of<br>Cost or Market) . . . . .   | 4,335,238.91    | 50,400,298.06 |

MORTGAGES AND OTHER RECEIVABLES—NOT CURRENT  
 (Resulting principally from sales of Property) . . . . . 1,711,120.70

PREPAID ITEMS AND MISCELLANEOUS ASSETS . . . . . 1,003,422.34

TRADE-MARKS, PATENTS AND GOOD-WILL . . . . . 7,000,000.00

TOTAL . . . . . \$158,793,174.11



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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES  
*Consolidated Balance Sheet, December 31, 1932*

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LIABILITIES

MORTGAGE—MADISON AVE. OFFICE BUILDING PROPERTY . . . . . \$ 2,700,000.00

CURRENT LIABILITIES:

Accounts Payable . . . . . \$ 7,454,745.50

Accrued Accounts:

Income Taxes (Estimated) . . . . . 1,053,614.73

Other Items . . . . . 2,164,995.66 10,673,355.89

DEFERRED CREDITS . . . . . 621,813.55

TOTAL . . . . . \$ 13,995,169.44

CAPITAL STOCK — THE BORDEN COMPANY:

Common \$25. par (Authorized 8,000,000 shares)

Issued . . . . . 4,417,958 shares

Less Treasury Stock . . . . . 21,204 "

Outstanding . . . . . 4,396,754 " \$109,918,850.00

RESERVES:

Contingency Reserve . . . . . 2,664,009.48

Insurance and Other Operating Reserves . . . . . 5,662,359.74

EARNED SURPLUS . . . . . 26,552,785.45

TOTAL CAPITAL STOCK, RESERVES AND SURPLUS . . . . . 144,798,004.67

TOTAL . . . . . \$158,793,174.11

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**THE BORDEN COMPANY and all SUBSIDIARY COMPANIES**  
*Statement of Consolidated Income and Surplus*  
*For the Year Ended December 31, 1932*

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SALES:

(This figure is after deducting returned goods and intercompany sales) . . . . . \$212,348,871.24

COST OF SALES AND EXPENSES:

(Including provision for depreciation in the amount of \$8,695,625.76, insurance, property taxes and all manufacturing, selling, delivery, administrative and general expenses, after deducting miscellaneous operating income) . . . . . 204,479,834.37

NET OPERATING PROFIT . . . . . \$ 7,869,036.87

OTHER INCOME (Less charges for Interest) . . . . . 585,490.23

GROSS INCOME . . . . . \$ 8,454,527.10

DEDUCT—Income Taxes (Estimated) . . . . . 930,038.18

NET INCOME . . . . . \$ 7,524,488.92

(No provision for profit sharing is made since under the Plan no profit sharing distribution is permissible for 1932.)

EARNED SURPLUS JANUARY 1, 1932 . . . . . 30,021,916.53

GROSS SURPLUS . . . . . \$ 37,546,405.45

SURPLUS CHARGE—Dividends paid in cash during the Year 1932 . . . 10,993,620.00

EARNED SURPLUS DECEMBER 31, 1932 . . . . . \$ 26,552,785.45

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**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET  
NEW YORK

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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

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CERTIFICATE OF AUDIT

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THE BORDEN COMPANY:

We have audited your accounts and those of your subsidiary companies for the year ended December 31, 1932.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

We hereby certify that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Surplus correctly set forth, respectively, the financial condition of the companies at December 31, 1932, and the results of their operations for the year ended that date.

HASKINS & SELLS.

*New York, February 21, 1933.*

